

"Our disabled veterans have already paid a high price for their service to our country. The last thing they need is to be penalized by the IRS for bureaucratic inefficiency in processing their disability claims. One of my constituents was denied five years worth of refunds because his disability claim was pending for eight years, long past the IRS statute of limitations. This is a ridiculous situation. I am pleased to be able to introduce this simple legislative fix," said Congressman Sam Farr.

"We need to make every effort to correct this oversight so that disabled military retirees are not unfairly taxed because their disability claims were not processed in a timely fashion. This bill shows our veterans that we do care what happens to them after they come home, and that they, of all people, should not be penalized for bureaucratic delays," said Congressman Michael Bilirakis.

When military retirees are awarded retroactive disability compensation, their previously received taxable retiree pay is designated as nontaxable disability compensation. This means the IRS owes the disabled military retiree a refund for taxes paid on their retiree pay. Currently, the IRS statute of limitations constrains affected disabled military retirees to claiming a refund for the prior 3 years, though the VA may take longer than that to reach a final disability ruling.

The Farr-Bilirakis bill simply adds an exception to the IRS statute of limitations that would allow disabled military retirees whose disability claims have been pending for more than 3 years to receive back taxes for all the years that their claim was pending.

The Military Coalition, a group representing more than 5.5 million members of the uniformed services and their families, estimates that thousands of disabled retirees are taxed unfairly simply because of VA claims processing delays or errors. Congressman Farr inserted report language into the Transportation/Treasury/HUD and Independent Agencies FY2006 Appropriations bill signed into law last fall directing the IRS to report to the House Appropriations Committee with the number of disabled military retirees that have been and will be penalized by this IRS statute of limitations. The report is expected sometime next month.

H.R. 4727 was introduced with 30 original cosponsors including Reps. Abercrombie, S. Bishop, Boswell, Burton, Carson, Case, Conyers, Doggett, Evans, Filner, Al Green, Grijalva, Herseth, Higgins, Holt, Honda, Patrick Kennedy, Maloney, Matsui, McCollum, Ney, Peterson, Rangel, Schakowsky, Schiff, Skelton, Spratt, Tom Udall, Wasserman-Schultz and Waxman.